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E-PAYMENTS THAT REALLY WORK

Web-based payment systems have a nasty habit of looking great on paper and then falling flat in the marketplace. So it's risky to declare that now, maybe, after years of fits and starts, a new form of payment is actually making some headway.

But that's exactly what appears to be happening in the realm of person-to-person -- also called peer-to-peer -- payments. A number of companies, including PayPal.com, dotBank and eCash Technologies, claim they've solved the problems that hobbled earlier payment systems. If their customer acquisition numbers are to be believed, splitting up the deposit on a beach house or taking wagers on March Madness will soon be as simple -- and as commonplace -- as sending e-mail.

PayPal's method, known as "X payments" thanks to the company's recent merger with online bank X.com, is perhaps the best known of the person-to-person payment schemes. Like its competitors, X payments are in U.S. dollars, not substitute currencies or even precious metals. The method of delivery is equally simple: e-mail. The process of sending money is similar to that of sending an electronic greeting card. To send an X payment, the sender only needs to know the e-mail address of the person to whom he or she owes money. The sender opens an account at X.com and, from the X.com Web site, sends an e-mail containing the amount owed. In the background, X.com sets up an account for the recipient.

The recipient goes to X.com's Web site, fills out a one-page form to activate his or her X.com account, and the payment is deposited into the account. To retrieve subsequent payments, only an identification and personal identification number are needed. Once the accounts are set up, depositors are sent a Visa automated teller machine/debit card, which makes it fairly easy to get money out of the system. X.com is free to users. It plans to make money by investing unused funds in its accounts.

PayPal launched in November 1999. When X.com and PayPal announced plans to merge on March 2, each had about 250,000 accounts, says X.com founder and Chairman Elon Musk. He says the combined company is growing at about 50 percent per month and now has about 750,000 accounts.

Musk says X payments are now accepted by more eBay merchants -- 12 percent of the total -- than Visa. According to PC Data, X.com has the most traffic of any financial site on the Web, including Yahoo! Finance.

It's clear dotBank Chief Executive Robert Simon puts his service in the same league as X.com's. He won't say exactly how many people use dotBank (www.dotbank.com), only that the number is in the "many hundreds of thousands." The company had a soft launch in December 1999 and will make a bigger splash, with partners including MyEvents.com, in a few weeks.

DotBank links to the Visa International network to zap funds in and out of credit-card accounts. While X.com hopes to make money on funds sitting unused in customer accounts, much like a traditional bank, dotBank has to swallow fees charged by the credit-card association. These range from 1 percent to 5 percent of the transaction price. DotBank is free to consumers; merchants will pay about 1 percentage point above the credit-card association price. In return, dotBank will help merchants track purchases. DotBank also accepts

electronic checks.

ECash (www.digicash.com), rising out of the ashes of DigiCash, is a veteran compared to start-ups X.com and dotBank. DigiCash had a pilot program running in Germany with Deutsche Bank for four years; eCash is putting it into a full-blown launch. ECash can be funded from a savings, checking or credit-card account.

While X.com is finding traction with individuals and dotBank is signing up community sites as partners, eCash is targeting banks. ECash CEO Drew Hyatt notes that X payments is essentially a closed system, since both parties need to have X.com accounts to pay each other. ECash would be transferable between any accounts at banks that both use eCash. All three players are looking to merchants' accounts to provide another boost.

Forrester Research analyst Paul Hagen isn't convinced large merchants will race to accept the new payment systems. "The sites go, 'Big yawn' "he says. "Until the consumers want it, we're not going to touch this thing."

Hagen believes those systems with staying power will prove themselves over the next year to 18 months. DotBank's Simon ventures a guess that the first company to reel in 5 million users will likely become the leader. In that case, the timeframe could be even shorter: X.com says it will reach 5 million users before the end of this year.

Person 2 Person Payment

1. Chris needs sent to Pat \$51.29 for a semi-antique desk set.
2. He goes to the X.com Web site and opens an X account. From the Web site, Chris inputs the amount of money he needs to send (\$51.29) and Pat's e-mail address.
3. Pat receives the e-mail and, as it directs, goes to the X.com site.
4. Pat fills out a one-page form to open an X.com account and redeem the \$51.29.

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By Kimberly Weisul

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## Fast Facts

### Double Talk

>> Dr. Laura Schlessinger (www.drilaurea.com) — The on-air radio shrink and media personality — isn't receiving any warm fuzzies from Netizens. According to news accounts, Schlessinger attacked a 14-year-old girl by name during her radio show — which broadcasts to 450 radio stations around the country — because she disagreed with the girl's prize-winning essay championing free speech on the Internet. The incident occurred last year but is being widely discussed again thanks to lesbian and gay activist groups that accuse Schlessinger of hypocrisy. Schlessinger, they charge, regularly makes slanderous statements about gays and lesbians on her radio show and then hides behind a "free speech" defense when confronted about her views.

### Spectrum To Go

>> The Federal Communications Commission (www.fcc.gov) may open up radio spectrum by allowing frequencies to be bought and sold as commodities in the open market. According to news accounts, officials are working on rules that would establish a trading system in which telecom companies of all kinds could bid for pieces of underused parts of the spectrum that are under the control of other companies.

### From B To Shining B

>> There are bulls, and then there are bulls. Amerindo Investment Advisors (www.amerindo.com) is launching three mutual funds: Amerindo Technology Fund II — Technology Fund I will close soon — the Amerindo Internet B2B Fund, and the Amerindo Health and Technology Fund. Despite making some new picks such as OnDisplay (www.ondisplay.com), Alberto Villar, Amerindo's president and portfolio manager, is still optimistic on more "seasoned" holdings. He says, "Arba will have a \$200 billion market capitalization in three years."

# digital capital

MONEY, POWER AND MARKETS

## E-Payments That Really Work

By Kimberly Welsul

**W**eb-based payment systems have a nasty habit of looking great on paper and then falling flat in the marketplace. So it's risky to declare that now, maybe, after years of fits and starts, a new form of payment is actually making some headway.

But that's exactly what appears to be happening in the realm of person-to-person — also called peer-to-peer — payments. A number of companies, including PayPal.com, dotBank and eCash Technologies, claim they've solved the problems that hobbled earlier payment systems. If their customer acquisition numbers are to be believed, splitting up the deposit on a beach house or taking wagers on March Madness will soon be as simple — and as commonplace — as sending e-mail.

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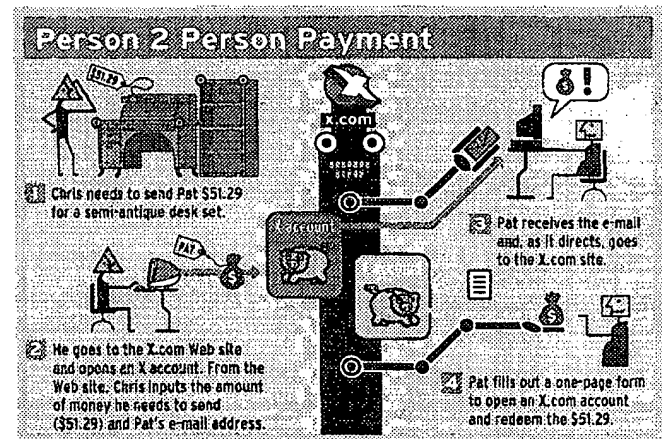
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